



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

April 13, 1982

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-198221



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The Honorable George Miller
House of Representatives

Dear Mr. Miller:

Subject: Information on Federal Funding of Portions of
the San Luis Unit of the California Central
Valley Project (CED-82-64)

In your letter of November 10, 1981, and our subsequent discussions with your office, you expressed concern about the Federal funding of the San Luis Unit of the Central Valley Project in California by the Department of the Interior's Bureau of Reclamation. You requested that we provide you with information on the funding, obligations, and expenditures for constructing the distribution systems and drains component of the San Luis Unit.

This report summarizes the accounting information you requested. It does not address the legal issue of whether the appropriations, allotments, 1/ or obligations were proper as they relate to funding authorizations for the distribution systems and drains. As requested in your January 28, 1982, letter, our Office of General Counsel will address this issue in a separate response.

Since fiscal year 1978, the Bureau of Reclamation has considered the authorized ceiling for the distribution systems and drains component to be \$236,176,311. As of February 1, 1982, the Bureau had allotted from the annual lump-sum appropriations \$229,434,177, which is \$6,742,134 under this ceiling. As of the end of fiscal year 1981, expenditures and unliquidated obligations totaled \$225,226,035, which is \$10,950,276 less than what the Bureau considers to be the authorized ceiling.

1/An allotment is a distribution of appropriated funds by an agency head to his or her subordinates to incur obligations within a specified amount. From an annual lump-sum construction appropriation, the Bureau Commissioner allots funds to individual projects, such as the San Luis Unit, in accordance with congressionally approved funding levels.

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OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this review was to provide accounting information on the funding, obligations, and expenditures for the distribution systems and drains of the San Luis Unit of the Central Valley Project in California. We made our review at the Department of the Interior's Bureau of Reclamation headquarters in Washington, D.C., and its mid-Pacific region in Sacramento, California. We interviewed Bureau officials and reviewed the accounting records dealing with authorizations, appropriations, allotments, obligations, and expenditures; legislative histories; and other related Bureau records regarding the San Luis Unit.

The San Luis Unit has two separate congressional authorizations: one for major project features, such as dams and reservoirs, pumping plants, and the San Luis Canal; and another for the distribution systems and drains to move the water into and out of the various irrigation districts. At your request, we limited our review to the distribution systems and drains. As agreed, we are providing you with accounting information for fiscal years 1977 through 1981. In order to furnish you with the latest information available, we are also providing fiscal year 1982 information as of February 1, 1982, on appropriations and allotments.

Although this report contains information on what the Bureau considers to be the authorized funding levels and related appropriations, allotments, obligations, and expenditures for the distribution systems and drains component, we are not taking a position in this report on the propriety of this matter. This issue will be addressed by our Office of General Counsel in a separate response.

The Bureau accounts for allotments and obligations for the San Luis Unit as a whole rather than by the two separate authorizations. To obtain the requested information, we worked with accounting personnel in the Bureau's mid-Pacific region to segregate the allotments and obligations related to the distribution systems and drains from those for the full San Luis Unit.

This review was performed in accordance with our current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

BACKGROUND

The San Luis Unit was authorized in 1960 to be constructed and operated jointly by the Bureau and the State of California. The major facilities include dams, reservoirs, pumping plants, and canals. In addition, the Bureau is constructing as part of the San Luis Unit a distribution and drainage system which will deliver water to and from more than one-half million acres and is the largest such system ever built by the Bureau. The principal purpose

of the Federal portion of the facilities is to furnish irrigation water stored in the San Luis Reservoir to the California counties of Fresno, Kings, and Merced. Although construction of the entire San Luis Unit has not been completed, irrigation water has been delivered since 1967. The unit now makes available each year about a million acre-feet of water for irrigation and 45,000 acre-feet for urban and industrial use.

The unit was authorized by the San Luis Act (Public Law 86-488, dated June 3, 1960). It authorized funding for (1) the major project features in the amount of \$290,430,000, plus an additional amount, if any, as may be required because of increased construction costs as measured by engineering indexes and (2) the distribution system and drains in the amount of \$192,650,000. The latter authorization was not made subject to indexing changes.

Construction has been completed on most of the major project features component. As of January 1982, the authorized funding ceiling for this component totaled \$524,082,000 (the \$290,430,000 original authorization as increased by engineering indexes). The Bureau considers the authorization for this component to be adequate to complete construction of the facilities as currently proposed.

Since 1975, the Bureau has considered the authorization ceiling for the distribution systems and drains to be inadequate, primarily because the original authorization was not allowed to increase based on engineering indexes. Legislation was introduced in the Congress in 1976 to increase the ceiling and make the authorization subject to indexing changes. However, it did not pass.

In November 1976, the Department of the Interior's regional solicitor in Sacramento issued a legal opinion which concluded that the San Luis Drain had been incorrectly classified as part of the major project features component when it should have been classified as an element of the distribution systems and drains component. Reclassifying the San Luis Drain based on this opinion and shifting the applicable allotments resulted in the Bureau's exceeding the original authorization ceiling for the distribution systems and drains by \$12,476,311. The cognizant House and Senate committees were informed of this situation in February 1977.

Legislation was again introduced in March 1977 to make the distribution systems and drains component authorization subject to indexing changes, which would have increased the original authorization ceiling of \$192,650,000 by an amount measured by changes in the engineering indexes since 1960. However, the bill was amended in April 1977 to authorize an additional appropriation of \$31,050,000 for fiscal year 1978 to continue construction of the distribution systems and drains. The amended bill also called for the creation of the San Luis Task Force to review the management, organization, and operations of the San Luis Unit. This bill was to provide authorization to continue construction while the

San Luis Task Force completed its study and issued its report by January 1978. The bill was passed and subsequently became Public Law 95-46 on June 15, 1977.

For fiscal year 1978, the cognizant appropriations committees approved a funding level of \$31,050,000 for the distribution systems and drains--\$30,140,000 from the fiscal year 1978 Bureau appropriation for construction and rehabilitation and \$910,000 for a Public Law 84-130 construction loan. The Bureau in turn allotted this amount to the distribution systems and drains. These actions brought the amount of funds appropriated and allotted to the authorized ceiling. Legislation was introduced in April and May 1978 to provide another increase in the authorization ceiling for fiscal year 1979, and additional appropriations were requested in anticipation of this increase. However, since the legislation was not enacted, the requested funds were not appropriated.

The Bureau considers the current authorized ceiling for the distribution systems and drains to be \$236,176,311--the original authorization of \$192,650,000, the \$12,476,311 overage of the original ceiling because of the reclassification of the San Luis Drain, and the additional \$31,050,000 authorization provided by Public Law 95-46. As of January 1982, the Bureau estimated the Federal cost of constructing this component to be \$859,672,000, which exceeds by over \$600 million what the Bureau considers to be the current authorization. The Bureau intends to seek additional appropriation authority once two major obstacles have been overcome: (1) the execution of a contract with one of the irrigation districts for repayment of the construction cost and (2) the completion of the environmental impact statement dealing primarily with the terminus of the San Luis Drain. The matter of the repayment contract is currently in litigation between the Westlands Water District and the Federal Government, and the environmental impact statement is not scheduled for completion until January 1986.

FUNDING FOR THE DISTRIBUTION SYSTEMS AND DRAINS

With the congressional appropriation and subsequent Bureau allotment of \$31,050,000 in fiscal year 1978, the distribution systems and drains component had received the maximum authorized funding of \$236,176,311. However, during fiscal years 1979 and 1980 the Bureau shifted a total of \$12,418,294 from this component to the separate San Luis major project features component and to other construction projects. In fiscal years 1980 through 1982, the Bureau requested and received appropriations to replace the \$12.4 million. However, the Bureau has not fully allotted these replacement appropriations. The Bureau's decision to shift or not fully allot these funds was based on the slowdown in the construction program for the distribution systems and drains and higher priority needs of other projects.

According to the Bureau's Assistant Commissioner for Administration, the funds shifted and not fully allotted came about as a result of the manner in which the Congress funds the annual appropriations for the Bureau's total construction program. From fiscal years 1978 through 1982, the Congress reduced the Bureau's construction funds by (1) requiring the Bureau to finance part of its construction program with prior year carryover funds and (2) making further cuts in the overall appropriation through what is called undistributed reductions based on anticipated delays. This action in effect reduced the Bureau's appropriation for the total construction program without reducing the amount of funding approved for individual projects. It also made it necessary for the Bureau, in many cases, to allot less funds to individual projects than were approved for them.

The following example illustrates how the congressional action affected the funds the Bureau allotted to the San Luis Unit distribution systems and drains. In fiscal year 1980, the Congress approved appropriations for individual Bureau projects which totaled \$296,570,000. However, the Congress required the Bureau to apply \$56,000,000 of unobligated carryover funds to the program and take an additional undistributed reduction of \$27,517,000. This left a net appropriation for fiscal year 1980 of \$213,053,000 which the Bureau had available to allot to its fiscal year 1980 program. The approved fiscal year 1980 funding for the San Luis Unit distribution systems and drains was \$3,800,000. However, because of the congressional reduction in the total program that year, the Bureau chose to allot none of these funds and, in fact, shifted out additional funds that had been previously allotted to this component.

As of February 1, 1982, the Bureau had allotted a net amount of \$229,434,177 (counting fund shifts and replacements) to the distribution systems and drains, which is \$6,742,134 less than the \$236,176,311 that the Bureau considers to be the authorized ceiling. Details on the funding of the San Luis Unit distribution systems and drains, as well as other accounting information, are shown in enclosure I.

OBLIGATIONS AND EXPENDITURES FOR THE DISTRIBUTION SYSTEMS AND DRAINS

As of the end of fiscal year 1981, expenditures and unliquidated obligations for the distribution systems and drains totaled \$225,226,035, which is \$10,950,276 less than the \$236,176,311 that the Bureau considers to be the authorized ceiling. Fiscal year 1978 obligations under the Public Law 95-46 authorization were \$11,029,642. Fiscal year 1979 obligations were slightly less at \$9,730,955, but obligations for fiscal years 1980 (\$1,522,405) and 1981 (\$1,353,483) were drastically reduced.

According to the Bureau's mid-Pacific region program coordinator, the reason for the reduced amount for obligations in

recent years is that insufficient funding authority remains to begin major additional work. As a result, most of the costs currently being incurred for the distribution systems and drains are for administrative support and some planning work being done in the mid-Pacific region. According to this official, the distribution systems and drains construction program is essentially on hold until a new funding ceiling is authorized by the Congress. Details on obligations and expenditures between fiscal years 1977 and 1981, as well as other accounting information, are shown in enclosure I.

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At your request, we did not obtain Department of the Interior comments on the information presented in this report. However, the report was discussed with Bureau officials and their comments were included where appropriate.

As arranged with your office, we are sending copies of this report to the Secretary of the Interior. Copies of this report will also be available to other interested parties upon request.

Sincerely yours,



Henry Eschwege
Director

Enclosure

ACCOUNTING INFORMATION ON SAN LUIS UNIT DISTRIBUTION SYSTEMS AND DRAINS FOR FISCAL YEARS 1977 TO 1982 (note a)

Fiscal year	Authorization ceiling	Appropriation	Allotments		Unallotted authorization remaining	Obligations during the year (note b)	Cumulative expenditures and unliquidated obligations	Unobligated allotment remaining	Unobligated authorization remaining
			During the year (note b)	Total at end of year					
1977	\$192,650,000	-	-	\$205,126,311	c/\$ (12,476,311)	-	\$201,589,550	\$3,536,761	c/\$ (8,939,500)
1978	d/236,176,311	\$31,050,000	\$ 31,050,000	216,176,311	0	\$11,029,642	212,619,192	23,557,119	23,557,119
1979	e/236,176,311	e/ 0	f/ 0	236,176,311	f/ 0	9,730,955	222,350,147	f/13,026,164	13,026,164
1980	236,176,311	g/3,000,000	f/(12,418,294)	223,758,017	f/ 12,418,294	1,522,405	223,872,552	h/ (114,535)	12,303,759
1981	236,176,311	g/8,535,000	g/ 5,639,000	229,397,017	6,779,294	1,353,483	225,226,035	4,170,982	10,950,276
1982	236,176,311	g/5,200,000	g/ 37,160	g/229,434,177	g/ 6,742,134				

a/We take no position on whether the appropriations, allotments, or obligations are proper in relation to the authorized ceiling. This determination will be made by our Office of General Counsel in a separate response.

b/The allotments and obligations are reconstructed amounts because the Bureau of Reclamation maintains allotment and obligation information in one San Luis account rather than by the two separate San Luis authorizations.

c/These amounts represent how much the authorized ceiling was exceeded in fiscal year 1977 when the San Luis Drain was reclassified from the major project features component to the distribution systems and drains.

d/The Bureau considers this amount to be the current authorized ceiling for the distribution systems and drains, calculated as follows:

Original authorization	\$192,650,000
Overage caused by reclassification of San Luis Drain	12,476,311
Public Law 95-46 authorization	11,050,000
Current authorization ceiling	<u>\$236,176,311</u>

e/Legislation was introduced in April and May 1978 to increase the authorized ceiling in fiscal year 1979, and \$18,860,000 in appropriations was requested in anticipation of the ceiling being raised. The legislation did not pass; consequently, none of the funds were appropriated because the funding had already reached the authorized ceiling.

f/During fiscal years 1979 and 1980 a total of \$12,418,294 was shifted to the San Luis major project features and to other construction projects because of congressional reductions in the Bureau's total construction program for these years.

g/The amounts appropriated and allotted in fiscal years 1980 through 1982 were to replace funds shifted out or not fully allotted in prior years because of congressional reductions in the Bureau's total construction program. Fiscal year 1982 allotment data is as of February 1, 1982.

h/This negative balance resulted from a difference in the cost accounting and the program and budget records. The difference will be resolved before reauthorization is requested. In the meantime, the cost accounting records, the higher amount, are being used as the control against the authorization ceiling. We did not pursue this point because of insignificance and time.